

MEETING OF AUDIT COMMITTEE
Community College of Philadelphia
Thursday, September 28, 2017 – 12:00 Noon
M2-34 Conference Room

Present: Mr. Anthony J. Simonetta, Mr. Jeremiah White, Ms. Suzanne Biemiller, Mr. Matthew Bergheiser (*via telephone*), Mr. Jacob Eapen, Mr. Gim Lim, Mr. James P. Spiewak, Mr. Robert Lucas, Victoria Zellers, Esq.; and representing Grant Thornton: Mr. Brian Page and Ms. Angelica Roiz, and representing The Meridian Group: Mr. Anthony B. Scott (*via telephone*)

Not Present: Dr. Donald Generals, Jr. & Mr. Jeremiah White

AGENDA – PUBLIC SESSION

(1) Approve Minutes of Audit Committee Meeting on June 15, 2017 (Action Item):

Attachment A contains the minutes from the June 15, 2017 meeting. The Committee was asked to review and approve the minutes.

Action: Since there were no questions, Mr. Simonetta asked for a motion to recommend acceptance of the June 15, 2017 Audit Committee meeting minutes. Ms. Biemiller made the motion. Mr. Bergheiser seconded the motion. The motion passed unanimously.

(2) 2016-17 Fiscal Year Audit Report (Action Item):

Attachments B & C contains audit results for the 2016-2017 fiscal year. Mr. Simonetta asked the Committee if they have any questions or comments on the financial statements. Ms. Biemiller had a question on the flow of different funds and how they relate to the foundation revenues. Mr. Lim explained that the money is first recorded in restricted fund and then moved to the unrestricted fund when it is spent. Ms. Biemiller also wanted some clarification on how the grant revenues and expenses are recorded on the College's statement. Mr. Page explained that grants that faculty secure are recorded as income in the restricted funds when received. Expenses are first paid out of unrestricted funds and money is then moved from the restricted funds to the unrestricted funds. Mr. Page confirmed that faculty grant expenses are kept separate from the Foundation's unrestricted dollars.

Since there were no questions, Ms. Roiz proceeded with the audit presentation.

Ms. Roiz began the discussion by reviewing the required communications, roles and responsibilities for the financial statements including the auditors' responsibilities, and those charged with governance and management responsibilities.

Ms. Roiz mentioned that the auditors discussed the specific areas where they were going to spend their time during the audit at the June 2017 meeting. There were no material changes to their audit approach presented at that time. She then asked the Committee whether they were aware of any fraud or suspected fraud or matters that are relevant to their audit that have not been disclosed. The answer was an unanimous 'No'.

Ms. Roiz then discussed the audit timeline and areas of focus of Grant Thornton's audit. Specifically, she mentioned materiality, reasonableness tests regarding tuition, deferrals, receivables and management's allowance for doubtful account calculation as compared to the enrollment population, as well as State and City appropriations and investment earnings, and recorded pension liabilities.

Ms. Biemiller asked whether Grant Thornton had its own actuaries relating to the reporting of postemployment benefits to which Ms. Roiz said yes. Mr. Simonetta asked whether it was mainly to review the assumptions used in the computations. Ms. Roiz said yes and they also reviewed the most recent data for any changes.

Ms. Roiz then discussed the Information Technology portion of the audit. The audit team noted one finding that Ms. Roiz commented as more of a recommendation. It did not rise to the level of significant deficiency or material weakness. During a two-week period when Mr. Lim was transitioning to his new role, he had system access to both financial aid and accounting modules. The auditors performed internal testing and noted no unusual access or transactions during period.

Ms. Roiz presented the summary of audit adjustments. There were no significant audit adjustments; however, there was one past unrecorded audit adjustment relating to current and non-current accounting of a security deposit as outlined in the presentation. This adjustment was considered a balance sheet re-class and is considered immaterial to the College's financial statements.

Mr. Roiz then stated that there had been no disagreements with management in the preparation of the financial statements. The auditors were not aware of any consultations with other accountants that would impact their audit and there were no difficulties encountered in performing the audit. The audit team was very pleased with how helpful and quickly management responded to their questions and points of inquiry. She commented that they were able to perform an efficient and effective audit. They found no material weaknesses or significant deficiencies in the 2016-2017 financial statements.

Mr. Eapen mentioned that the Business Affairs Committee approved the creation of a contingent liability at the suggestion of a Board of Trustee member.

Several technical updates, projects, regulatory issues and upcoming accounting pronouncements were pointed out to the Committee, which are outlined in the presentation. Specifically, the new accounting pronouncements listed in Attachments B & C were discussed focusing on GASB 75, 80 & 81. Under GASB 75, which is effective for fiscal years beginning after June 15, 2017, the College will be required to record the full value of other post-employee benefit liabilities in their entirety. Currently, the College is phasing this in over a thirty-year amortization period. Consequently, the College will have a large decrease in its net assets going forward.

Mr. Eapen added that the staff had a discussion with Moody's earlier and it was determined that the impact of GASB 75 may not affect the College's bond ratings.

Under GASB 80, the College had to re-evaluate the current presentation of the Component Unit Foundation to determine whether it should be blended into the College's financial statements for reporting purposes or continue to be presented separately. After careful a review of the Foundation's bylaws and governance and discussion with the Grant Thornton team, it was determined that the College is required to continue reporting the Foundation as a discrete unit.

Ms. Roiz then highlighted some industry updates regarding Moody's outlook on community colleges. Specifically, she mentioned that there is a stable outlook with modest net tuition growth; almost one third of small colleges generated operating deficits in FY2016, up from 20% three years ago. She noted that Colleges are addressing these challenges and now are more nimble.

Ms. Roiz provided a brief overview on GASB's future financial reporting model. Mr. Spiewak commented that he was hoping for the return of the old multi-fund reporting format. Mr. Page commented that the emphasis will be to improve the MD&A section so it is more relevant. It was not to bring back the multi-fund reporting format.

Ms. Roiz concluded her presentation with a brief industry update. She noted that institutions are now more agile at meeting the challenges.

Action: Since there were no questions, Mr. Simonetta asked for a motion to recommend acceptance of the acceptance of the 2016-2017 report of the auditors. Mr. Bergheiser made the motion. Ms. Biemiller seconded the motion. The motion passed unanimously.

(3) Internal Audit Plan 2016-2018 Year Update (Information Item):

Mr. Lucas provided an update on the 2016-2018 Internal Audit Plan (Attachment D). He provided a copy of a summary report of activities since the last Audit Committee meeting as well as a copy of the Internal Audit Plan for the two-year period ending June 2018 to the Committee members. Mr. Lucas stated that, since the last meeting, he had issued one finalized audit report, has another audit one report in the closing process and has an additional audit near completion.

Mr. Lucas also noted that he had issued a memo to management of internal control observations and recommendations related to a financial investigation he performed and reported to the Audit Committee at the previous meeting.

Mr. Lucas also presented to the Committee members with the Internal Audit Follow Up Matrix. This spreadsheet lists previously issued audit comments, the related action plans to be performed by management and a target date for the actions. Mr. Lucas provided an overview of the matrix including the completion of a number of actions plans since the last meeting, and the need to extended target dates for some of the actions based on vendor issues, contract timelines and budget limitations.

(5) March 2018 Meeting Date (Information Item):

The next meeting of the Audit Committee will be scheduled in March 2018. At that time, the Committee will discuss the 2016-2017 A-133 audit report.

EXECUTIVE SESSION

During any Audit Committee meeting; Management, The Independent Auditors or the Internal Auditor may request an Executive Session to meet privately with the Audit Committee. The Committee met with both the Internal and Independent Auditors in Executive Session.

GM/lh
Attachments

cc: Dr. Donald Generals, Jr.
Mr. Jacob Eapen
Mr. Robert Lucas
Mr. Jim Spiewak
Victoria Zellers, Esq.
Representing Grant Thornton: Mr. Brian Page, Ms. Angelica Roiz
Representing the Meridian Group: Mr. Anthony B. Scott

ATTACHMENT A

**Minutes from June 15, 2017
Audit Committee Meeting**

**MEETING OF AUDIT COMMITTEE
Community College of Philadelphia
Thursday, June 15, 2017 – 12:00 Noon
Isadore A. Shrager Boardroom, M2-1**

Present: Mr. Anthony J. Simonetta, Mr. Jeremiah White (via telephone), Ms. Suzanne Biemiller, Dr. Donald Generals, Jr., Mr. Jacob Eapen, Mr. James P. Spiewak, Mr. Robert Lucas, Victoria Zellers, Esq.; and representing Grant Thornton: Mr. Brian Page and Ms. Angelica Roiz

Not Present: Matthew Bergheiser & Representing The Meridian Group: Mr. Anthony B. Scott

AGENDA – PUBLIC SESSION

1. Approve Minutes of Audit Committee Meeting on March 27, 2017 (Action Item):

Action: Mr. Simonetta asked for a motion to recommend acceptance of the March, 2017 Audit Committee meeting minutes (Attachment A). Ms. Biemiller made the motion. Mr. White seconded the motion. The motion passed unanimously.

2. 2016-2017 Audit Process (Information Item):

Attachment B contains the formal presentation made by Mr. Brian Page, Engagement Partner and Ms. Angelica Roiz, Senior Manager, from Grant Thornton. Mr. Page began his discussion by reviewing the information contained in slides four and five that dealt with the responsibilities of Grant Thornton and the responsibilities of the College's Governance Team and Management. Mr. Page asked the Committee members if they had any specific fraud-related concerns to which the members responded they had none. Mr. Page and Ms. Roiz then walked through the presentation highlighting areas of focus, audit approach, and timeline and discussed various topics including materiality, risks and awareness of fraud, internal controls, and the use of work of others. In response to a question from Ms. Biemiller, Mr. Page responded that their audit will look at the valuation of investments of both the College and the Foundation. He explained the planned audit procedures for areas of focus that included: tuition revenue and related receivables and deferrals, auxiliary enterprises, GASB 68, valuation of investments and related earnings, State and Federal grants and contracts, State and City appropriations, compliance with Uniform Guidance (formerly OMB Circular A-133), accounting estimates and financial statement disclosures. Mr. Page noted that a separate technology team from Grant Thornton reviews the College's use of technology including its associated controls, processes and practices.

Mr. Page then discussed several new GASB accounting pronouncements and updates. The first three statements are effective for fiscal year 2018. The first statement, GASB 75, will have the biggest accounting effect. Currently the College's OPEB Liability is being phased in over 30 years. This new pronouncement will require the full amount of that liability to be included in the financial statements for that year. Mr. Page noted that this will have a significant impact on many colleges and Government agencies. This will increase the overall liability and decrease the College's net assets. He pointed out that rating agencies have already factored this into their ratings of colleges and other public entities.

The second statement, GASB 80, discusses the blending of component units. The College will have to review the statement's criteria and make a determination if it can continue to show the Foundation's financials discretely or be required to blend it with the College in its financial statements.

The third statement, GASB 81, refers to irrevocable split-interest agreements and Mr. Page noted that the College needs to review any potential endowments that may fall under this statement.

Mr. Page mentioned GASB 83, which deals with Certain Asset Retirement Obligations, is not effective until fiscal year 2019 and the College may not have any circumstances for which this statement applies. He discussed two major projects that GASB is currently involved in: (1) Financial Reporting Model and (2) Leases. The first project is related to how not-for-profit entities display financial information and requirements for the Management's Discussion and Analysis (MD&A). The second project is related to the accounting treatment of leases and proposes eliminating the distinction between capital and operating leases.

Mr. Page ended his presentation with a brief review of key themes and activities in the higher education industry.

3. 2016-2017 Budget Update (Information Item):

Mr. Spiewak provided a handout (Attachment C) to the Committee, which reflected the most recent revenue and expense projections for fiscal year 2017. The implications of key factors currently impacting the FY 15-16 budget were discussed.

5. 2017-2018 Budget (Information Item):

Mr. Eapen distributed copies of the fiscal year 2017-18 budget and discussed the highlights. He noted that enrollments are budgeted to be stable but that staff are aware that a 1% decrease equates to reduced student tuition and fees of \$565,000 and are prepared to reduce expenses should a decrease occur. He stated that, consistent with the offer made to the Union, salaries are budgeted with a 2% increase. Mr. Eapen

explained that 9 staff positions were eliminated from the budget along with 8 faculty positions. Medical costs were budgeted at an 8.5% increase of projected expenses for fiscal year 2016-17. Due to a successful electricity procurement process, utility costs are budgeted approximately \$300,000 lower than fiscal year 2016-17. Contracted facility services costs are budgeted to be approximately \$200,000 higher than fiscal year 2016-17.

6. Internal Audit Plan (Information Item):

Mr. Lucas provided an update on the 2016-2018 Internal Audit Plan (Attachment D). He provided a copy of a summary report of activities since the last Audit Committee meeting as well as a copy of the Internal Audit Plan for the two-year period ending June 2018 to the Committee members. Mr. Lucas stated that, since the last meeting, he had issued one finalized audit report and two draft audit reports to management, and noted that another draft audit report will be issued shortly.

Mr. Lucas noted that he had started and completed a financial investigation since the prior meeting. He stated that someone had accused an employee of financial misconduct and that Victoria Zellers, General Counsel, and Dr. Judith Gay, VP for Strategic Initiatives and Chief of Staff, had requested that he conduct the investigation. Mr. Lucas noted that the results of the investigation did not substantiate the allegations.

The Audit Committee members present had several questions regarding the whistleblower hotline and the methods of communication. Ms. Zellers responded to each of the questions noting that all allegations have to be investigated even in cases such as this one in which the accuser recanted the allegations.

Mr. Lucas also noted that, since the prior meeting, he performed an informal risk assessment update by soliciting input from Cabinet members and senior managers to determine if there were any new or significantly changed functions which should be considered for possible addition to the remaining year of the Internal Audit Plan due to the risks associated with those changes. Mr. Lucas noted that all Cabinet members responded to his request for any such changes. He stated that everyone responded that no such changes had occurred in their respective divisions. There were two responses which referenced concerns for specific subjects, but that those subjects were already on the current 2016-2018 Internal Audit Plan. As such, Mr. Lucas had no recommended changes to communicate to the Audit Committee.

Mr. Lucas also noted that he continues to work with management to obtain the statuses of previously issued audit comments. He noted that a number of audit comments with open action plans had target dates of June 30, 2017. In order to allow management to have the remaining time and budget resources for actions by that date, Mr. Lucas did not conduct a full update of the Internal Audit Follow Up matrix. He noted that he will provide a full updated version of the matrix to the Committee at the September meeting.

Executive Session

A brief Executive Session was held to allow Committee members to have further discussions with the independent auditors absent the presence of College employees.

JPS
Attachments

cc: Dr. Donald Generals, Jr.
Mr. Jacob Eapen
Mr. Robert Lucas
Mr. Jim P. Spiewak
Victoria Zellers, Esq.
Representing Grant Thornton: Mr. Brian Page
Representing Grant Thornton: Ms. Angelica Roiz
Representing The Meridian Group: Mr. Anthony B. Scott

ATTACHMENT B

Grant Thornton's Presentation

**Presentation to the
Audit Committee of Community
College of Philadelphia**
for the year ended June 30, 2017

September 28, 2017

Our Values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Responsibilities



Our Responsibilities

We are responsible for:

Performing an audit under US GAAS and *Government Auditing Standards* of the financial statements prepared by management, with your oversight

Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP

Forming and expressing an opinion about whether certain supplementary information, including the Schedule of Expenditures of Federal (SEFA) is fairly stated in relation to the financial statements as a whole.

Communicating fraud and abuse with regard to federal programs

Reporting material noncompliance with federal awards requirements applicable to major program(s) audited under the Uniform Guidance requirements (formerly OMB Circular A-133), as well as significant deficiencies and/or material weaknesses in internal control over compliance

Communicating specific matters to you on a timely basis; we do not design our audit for this purpose.

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.



Those Charged with Governance and Management Responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the College's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - Entity strategies and related business risks that may result in heightened risks of material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management

Management is responsible for:

- Preparing and fairly presenting the financial statements including supplementary information such as SEFA (Schedule of Expenditures of Federal Awards) in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and compliance with federal grant requirements
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with written representations

Audit Scope & Results



Audit Timeline

May/June 2017	Client reacceptance	<ul style="list-style-type: none"> • Client reacceptance • Issue engagement letter • Conduct internal client service planning meeting, including coordination with audit support teams such as IT and tax
June 2017	Planning	<ul style="list-style-type: none"> • Meet with management to confirm expectations and discuss business risks • Discuss scope of work and timetable • Identify current-year audit issues and discuss recently issued accounting pronouncements of relevance • Initial Audit Committee communications
July 2017	Preliminary risk assessment procedures	<ul style="list-style-type: none"> • Develop audit plan that addresses risk areas • Update understanding of internal control environment • Coordinate planning with management and develop work calendar
August 2017	Interim fieldwork	<ul style="list-style-type: none"> • Perform walk-throughs of business processes and controls • Perform selective substantive testing on interim balances • Begin Single Audit (formerly A-133) compliance testing
August-September 2017	Final fieldwork and deliverables (short form)	<ul style="list-style-type: none"> • Perform final phase of audit and year-end fieldwork procedures • Meet with management to discuss results • Present results to the Audit Committee
December 2017 – March 2018	Final fieldwork and deliverables (Single Audit)	<ul style="list-style-type: none"> • Perform final phase of Single Audit (formerly A-133) compliance testing • Meet with management to discuss results



Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s).

- We believe that total revenues is the appropriate benchmark for the College.
- We believe total expenditures for each major program are the appropriate benchmarks for the Single Audit.

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).

Views of those charged with governance

Discussion points

- Risks of fraud
- Awareness of fraud
- Awareness of related party transactions; understanding of purpose of related party transactions
- Awareness of whistleblower tips or complaints
- Oversight of management's risk assessment process
- Views about the College's objectives and strategies and related risks of material misstatement
- Awareness of any internal control matters and views about management's response
- Oversight of financial reporting process
- Actions taken in response to developments in law, accounting standards and corporate governance matters
- Actions in response to our previous communications, if any

Use of the Work of Others

Specialists

GT Pricing group – Valuation of investment portfolio

GT Actuarial group – Review of assumptions & methodology underlying the calculation of the IBNR claims liability for self-insured medical and pharmacy plans as provided to CCP by third party actuary at Alliant Insurance Services

GT Tax group - Review of UBIT and tax positions



Significant Risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Procedures
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	<ul style="list-style-type: none">• Perform reasonableness test on tuition, student aid and auxiliary revenue amounts.• Perform deferred revenue testing to determine proper cut-off.• Inquire of management about the allowance methodology and, policies governing additional charges or other steps taken (e.g., cannot register, cannot attend commencement) for lack of payment of student account.• Review management's analysis of allowances for doubtful accounts for consistency with methodology and accuracy of inputs.
GASB 68	<ul style="list-style-type: none">• Ensure pension liabilities are recorded appropriately in accordance with GASB 68.

Significant Risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Procedures
Valuation of Investments and related earnings	<ul style="list-style-type: none">• Review of compliance with the College's investment guidelines, policies, procedures and controls.• Test valuation of publicly traded investments using an independent pricing source.• Tested valuation of investments that are not publicly traded by performing an independent assessment of the valuation methodology and testing roll forward period of alternative investments and obtaining underlying audited financial statements of the respective funds.• Test reasonableness of investment-related income, including unrealized appreciation/(depreciation) in fair market values.• Review investments for impairment.• Obtain SSAE16 reports from investment custodians.

Significant Risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Procedures
State and Federal Grants & Contracts	<ul style="list-style-type: none">• Review contract documents to obtain understanding of the terms.• Compare revenues and recorded expenses to determine that amounts are being recorded appropriately based upon the terms of the contracts.• Review any deferred amounts for reasonableness.• Agree any subsequent collections to year-end receivable balances.• Review propriety of financial statement presentation and disclosure.

Significant Risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

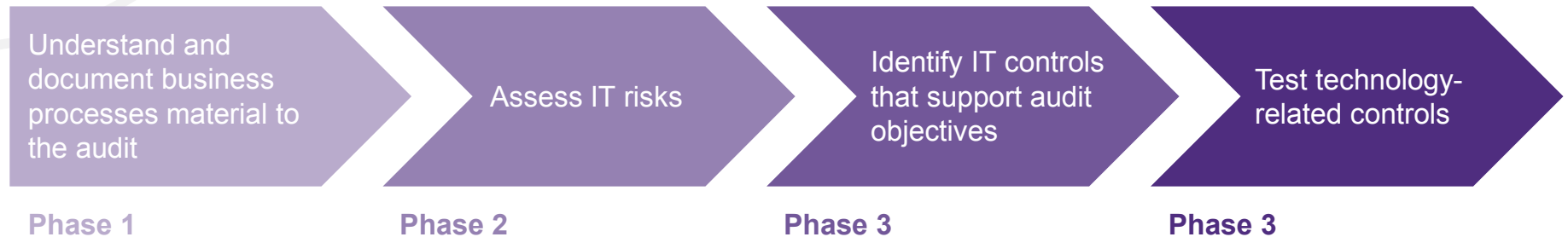
Areas of focus	Procedures
State & city appropriations	<ul style="list-style-type: none">• Obtain detail of appropriations received from the state for fiscal year.• Confirm amounts with state, agreeing to revenue recorded in general ledger.• Review receivable, determining calculation is correct based on cash received and amounts outstanding based on confirmation.
Compliance with Uniform Guidance (formerly OMB Circular A-133)	<ul style="list-style-type: none">• Identify major program(s) and determined the compliance requirements that are direct and material.• Identify key controls over compliance and tested those controls.• Select a sample of transactions subject to compliance requirements.

Significant Risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Planned procedures
Accounting Estimates	The preparation of the College's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. The most significant estimates relate to the allowance for doubtful accounts, useful lives of fixed assets, valuation of Level 2 investments which are based on NAV per share, actuarial estimates for the College's post-retirement benefit plan (OPEB) under GASB 45, and actuarial estimates for the College's self-insurance medical claims liability (IBNR). Our procedures have been designed in part, to review these estimates and evaluate their reasonableness.
Financial Statement Disclosures	Our procedures will also include an assessment as to the adequacy of the College's financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by accounting standards and industry practice.

Technology support as part of the audit process



An important component of our audit approach is to understand how IT is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.

In-Scope Application: Banner

§Banner Financial Aid Module Review

§Administrator Access & Password Testing

Technology support

Results of procedures performed on Banner

Application	Results
Banner	<p data-bbox="436 524 1140 565"><u>Segregation of Duties & Employee Transfers</u></p> <p data-bbox="436 605 1959 784">We noted that Gim Lim - Controller (formerly Director of Financial Aid) for a period of time (4/5/2017- 4/21/2017) retained elevated access to the Financial Aid module as well Financial Reporting access within Banner. While this access was known by IT due to a role change – the access in both the financial aid module and to perform financial reporting was maintained, as the individual was tasked with continuing to perform responsibilities within his old job function while already taking on responsibilities in his new role.</p> <p data-bbox="436 824 1917 930">Additionally, IT is not always notified of changes to legacy access. There is a process to notify IT when there is a termination, but there is no formal requirement to notify IT when there is a change to a user’s role/rights. Therefore, new access may be granted when a user changes their position, but legacy access may not always be removed.</p> <p data-bbox="436 971 1938 1076">We recommend that IT enforce legacy access removal indications on a user access form to be completed by the supervisor of the transferring employee. This will ensure that users only retain access needed for their roles and responsibilities as access to multiple modules could result in unauthorized and undetected changes.</p> <p data-bbox="436 1117 1917 1336"><u>Management’s FY17 Response:</u> <i>Management considers a smooth transition of the controller's responsibilities an important priority. During the period mentioned Gim Lim was not tasked with any responsibilities for his future role other than to attend meetings and prepare for the transition. He had no operational or functional responsibilities in Finance. Furthermore, he had no maintenance access to Banner student accounts, receivables and billings. Other controls were also in place, e.g., signature authority, approval process, and system logging by user ID in Banner.</i></p>



Summary of Adjustments (\$000s)

Description	Increase (Decrease) to:			
	Assets	Liabilities	Net Assets	Change in Net Assets
<u>Recorded adjustments</u>				
None noted.				
<u>Unrecorded adjustments</u>				
DR. Deposits, Current	\$ -	\$ (250,000)	-	-
CR. Deposits, Noncurrent	\$ -	\$ 250,000	-	-
<i>To reclassify security deposit for parking garage property to non-current based on the nature of the agreement.</i>				
Net impact	\$ -	\$ -	\$ -	\$ -

Management believes the unrecorded adjustments are immaterial to the financial statements. Unrecorded misstatements could be potentially material to future financial statements. As such, we request that these unrecorded adjustments be corrected.

Disclosure Adjustments

Recorded disclosure adjustments

The following is a description of adjustments to disclosures identified during the audit that were made by the College:

- **None noted.**

Unrecorded disclosure adjustments

The following is a description of omitted, incomplete or inaccurate disclosures identified during the audit that were not made by the College:

- **None noted.**

Internal Control Matters

Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency will be (or were) communicated to management.

Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, misstatements on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's annual or interim financial statements will not be prevented or detected on a timely basis.

Other Required Communications

Disagreements with management

None noted.

Management's consultations with other accountants

None noted of which we are aware.

Other findings or issues

None noted. No modifications to the report are deemed necessary and we are not aware of the audited financial statements being included in another document, such as an annual report.



Other Required Communications (continued)

Significant difficulties encountered during the audit

None noted.

Related parties and related party transactions

We did not identify any of the following matters through the course of our audit procedures:

- Identification of significant related party transactions that have not been appropriately authorized and approved
- Nondisclosure (whether intentional or not) by management of related parties or significant related party transactions
- Disagreement with management regarding the accounting for, and disclosure of, significant related party transactions
- Noncompliance with applicable laws and regulations prohibiting or restricting specific types of transactions
- Difficulties in identifying the party that ultimately controls the entity

Quality of Accounting Practices and Alternative Treatments



Quality of Accounting Practices and Alternative Treatments

Accounting policies

Accounting policies are consistent with those of prior year and are outlined in Note A of the financial statements.

Accounting estimates

Significant estimates are described in Note A of the financial statements. These estimates include:

- Allowance for doubtful accounts
- Useful lives of fixed assets
- Valuation of Level 2 investments which are based on NAV per share
- Actuarial estimates for the College's post-retirement benefit plan (OPEB) under GASB 45
- Actuarial estimates for the College's self-insured medical claims liability (IBNR)

Quality of Accounting Practices and Alternative Treatments (continued)

Disclosures

Financial statements and the disclosures therein are clear and complete in accordance with GASB pronouncements.

Other related matters

The effects of the refunding of the 2007 Series Bonds and issuance of the 2017 Series Bonds are appropriately disclosed in the financial statements.



Other Matters



Commitment to Promote Ethical and Professional Excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website
(https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a College's "whistleblower" obligations.



Technical Updates & Current Events



Accounting Updates



Selected pronouncements effective for the year ending June 30, 2017 or subsequent periods - GASB

Title	Effective date
<i>GASB 75- Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions</i>	Periods beginning after June 15, 2017
<i>GASB 81- Irrevocable Split-Interest Agreements</i>	Periods beginning after December 15, 2016
<i>GASB 82- Pension Issues, an Amendment of GASB statements 67, 68 and 73</i>	Periods beginning after June 30, 2016, except in certain circumstances
<i>GASB 83- Certain Asset Retirement Obligations</i>	Periods beginning after June 15, 2018
<i>GASB 84- Fiduciary Activities</i>	Periods beginning after December 15, 2018
<i>GASB 85- Omnibus 2017</i>	Periods beginning after June 15, 2017
<i>GASB 86- Certain Debt Extinguishment Issues</i>	Periods beginning after June 15, 2017
<i>GASB 87- Leases</i>	Periods beginning after December 15, 2019

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

Summary	Potential impact
<ul style="list-style-type: none"> • GASB 75 replaces the requirements related to OPEB accounting and reporting currently provided in GASB 45 and 57 • GASB 74 established new accounting and financial reporting requirements for the financial statements of the state and local government OPEB plans • State and local governments providing defined benefit OPEB plans administered through a trust meeting certain criteria must report a net OPEB liability on the face of their financial statements, similar to the requirement to report the net pension liability in accordance with GASB 68. • Provides a more comprehensive measure of OPEB expense than is currently required, which better reflects when the benefit cost is incurred. • Requires more extensive disclosures and required supplementary information • Effective for fiscal years beginning after June 15, 2017, with early adoption encouraged. Similar to adoption of GASB 68 (Pensions), retrospective adoption is required. 	<p>Colleges with OPEB plans will most likely need to reflect an obligation related to their proportionate share of the unfunded liability related to OPEB, similar to the recognition of a pension liability in connection with the adoption of GASB 68. As with GASB 68, extensive planning and discussions among all parties (management, state government contacts and others) is critical to a successful adoption. Colleges should begin to evaluate the information needed to adopt the guidance as a significant portion of that information may come from state or other related entities. Because many plans are "pay as you go," the impact of recording this liability could be significantly greater than the recognition of a pension liability, where there may have been existing plan assets to partially offset the liability.</p>

GASB Statement 81, *Irrevocable split-interest agreements*

Summary	Potential impact
<ul style="list-style-type: none">• Scope includes irrevocable split-interest agreement giving arrangements for which the government is the intermediary (trustee or agent) and a beneficiary, as well as beneficial interests in resources held and administered by third parties• Guidance establishes accounting for Lead Interests (government is a recipient of payments during the term of the agreement) and Remainder Interests (government is the beneficiary when the agreement terminates, and makes payments to non-government beneficiary – typically the donor or designee of the donor- during the term of the agreement) as well as life-interest in real estate and charitable annuity gifts.• Accounting requires recognition of an asset, liability and deferred inflow. When assets are held by third parties, the recognition will be an asset and a deferred inflow, with no need for a corresponding liability. There will be an annual re-measurement in subsequent periods.• Effective for periods beginning after 12/15/2016, with early adoption permitted. Retrospective application should be applied.	<p>Because there has been some diversity in practice related to accounting for irrevocable split-interest agreements, some Colleges may need to reflect new accounting, primarily the recognition of deferred inflows, associated with these arrangements. Management should begin to inventory the current agreements in place to determine the impact of this standard on current accounting and reporting.</p>

GASB Statement 83, *Certain Asset Retirement Obligations*

Summary	Potential impact
<ul style="list-style-type: none"> • Objective is to develop requirements on recognition and measurement for asset retirement obligations (ARO), other than landfills (GASB 18) or pollution remediation obligations (GASB 49), such as nuclear power plants and sewage treatment facilities • The pronouncement addresses the following: <ul style="list-style-type: none"> - Establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources when a governmental entity has a legal obligation to perform future asset retirement activities related to its tangible capital assets - Proposes capitalization of the ARO as a deferred outflow of resources, to be amortized in a systematic and rational manner (such as the straight-line method), generally over the life of the related asset giving rise to the obligation - Requires disclosures regarding governmental entity legal requirements to provide funding or other financial assurance for their performance of asset retirement obligations (e.g., how are those requirements being met) as well as nature and timing of AROs, method used to determine the estimated liability and useful life of the associated tangible asset. • Effective for periods beginning after June 15, 2018. Earlier application is encouraged. 	<p>Similar to the efforts Colleges underwent when adopting GASB 49, management should inventory any activity whereby there is a related obligation to dispose of certain assets subject to regulatory and legal requirements. With that list, management must calculate the expense of that effort and track it annually. The effort to inventory these assets/costs may require input from facilities and potentially other areas of the College and the process to estimate costs of future events may also require assistance from facilities and other departments.</p>

GASB Statement 84, *Fiduciary Activities*

Summary	Potential impact
<ul style="list-style-type: none"> • Guidance addresses the following: <ul style="list-style-type: none"> - The categorization of fiduciary activities for financial reporting - How fiduciary activities are to be reported - When liabilities to beneficiaries must be disclosed • Types of fiduciary funds that must be reported include the following: <ul style="list-style-type: none"> - Pension (and other employee benefit) trust funds - Investment trust funds - Private-purpose trust funds - Custodial funds • A government controls the assets of an activity if it holds the assets or "has the ability to direct the use, exchange or employment of the assets in a manner that provides benefits to the specified or intended recipients" • Fiduciary activities must be disclosed in the basic financial statements of the government entity and a state of fiduciary net position and changes in fiduciary net position should be presented (unless the period of custody is less than three months). • Effective for periods beginning after December 31, 2018, with early adoption encouraged. 	<p>Colleges often will agree to act as a fiduciary for certain third party organizations that might be somehow affiliated to the College (such as student clubs, alumni clubs, or other such organizations). Under this new requirement, the College must report the fiduciary activity on its financial statements, where it may not have done so in the past. Management should identify which fiduciary activities it is engaged in to inventory the relationships which may need to be reported. Management may want to consider changing the terms of the relationships such that they are not subject to reporting on the financial statements of the College when the requirement becomes effective.</p>

GASB Statement 86, *Certain Debt Extinguishment Issues*

Summary	Potential impact
<ul style="list-style-type: none">• The purpose of this guidance is to achieve consistency regarding accounting for the defeasance of debt irrespective of the source of funds set aside in an irrevocable trust for the purpose of funding the remaining debt (source of funds could be proceeds from a refunding arrangement or existing sources within the governmental entity).• New guidance clarifies the accounting for debt extinguishment when the source of the assets to be set aside in an irrevocable trust is existing resources rather than refund proceeds. When all of the other criteria for in substance defeasance are in place, the debt is removed from the statement of net position and is disclosed in the footnotes in either scenario.• GASB 86 also requires that any remaining prepaid insurance related to the debt being extinguished must be included in the net carrying amount of that debt (to determine gain or loss on refunding).• Disclosures include a description of the transaction in the related period and remaining amounts outstanding in each subsequent period that the debt remains outstanding.• Effective for periods beginning after June 15, 2017, with early adoption encouraged. Changes to adopt this standard should be applied retroactively.	<p>Depending on how colleges fund the irrevocable trust related to debt extinguishments, the new standard may create additional situations where debt will be "removed" from the statement of net position, and disclosed in the footnotes to the financial statements. For colleges considering future refundings, there is no longer a distinction in the accounting if the source of funds to be placed in an irrevocable trust are from existing resources or refunding arrangements.</p>

GASB Statement 87, *Leases*

Summary	Potential impact
<ul style="list-style-type: none"> • The GASB recently issued guidance which follows the recently issued FASB guidance on leases closely in an effort to further align accounting for leases by governments with non-governmental entities. • To determine whether a lease exists, a government should assess whether it has both: <ol style="list-style-type: none"> 1) The right to obtain the present service capacity from use of the underlying asset as specified in the contract, and 2) The right to determine the nature and manner of use of the underlying asset as specified in the contract • For Lessees: <ul style="list-style-type: none"> - In general, all leases will be reported on the statement of net position (the distinction between operating and capital leases is no longer relevant) as a "right of use" asset and a corresponding lease liability within long term debt - On the statement of changes, rent expense will be replaced by amortization expense of the right-of-use asset as well as interest expense on the lease liability (thus accelerating expenses in the beginning years of the lease term) - There is an exemption for short term leases (those with a term of 12 months or less, including extension options) as well as leases that transfer ownership at the end of the term - Disclosures regarding matters such as total leased assets by major class of underlying assets and related accumulated amortization (in total), principal and interest payments for each of the five subsequent fiscal years and in five year increments thereafter and commitments under leases before a lease commencement period, among other items • Effective for periods beginning after December 15, 2019, with early adoption encouraged. Existing lease will be adjusted based on the remaining lease payments as of the beginning of the period of adoption or beginning of any earlier periods restated (for example, for June 30 year ends, adoption is June 30, 2021 so the beginning period is July 1, 2020). 	<p>For those colleges which use operating leases to finance certain capital activities, this standard could have a significant impact on the financial statements of the College upon adoption. Management should consider the impact on financial covenants, as well as ensuring a complete inventory of existing leases that will be subject to the new accounting and disclosures.</p>



GASB projects

Project	Timing
Financial Reporting Model- Reexamination of Statements 34, 35, 37, 41 and 46, and Interpretation 6	Evaluation of feedback from Invitation to Comment in process, planned issuance of final standard in 2021.
Debt disclosures, including Direct Borrowing	Exposure Draft issued in June 2017, with comment period through October 2017
Revenue and expense recognition	Initial deliberations, with an Invitation to Comment expected in early 2018.
Recognition (conceptual framework)	GASB is redeliberating on results from comments on preliminary views
Capitalization of interest costs	Recently added to the agenda

GASB pre-agenda research

- Conduit debt
- Going concern disclosures
- Information technology arrangements, including cloud computing
- Note disclosures reexamination
- Public-private partnerships, including reexamination of Statement 60
- Social Impact Bonds



GASB major project – Financial Reporting Model

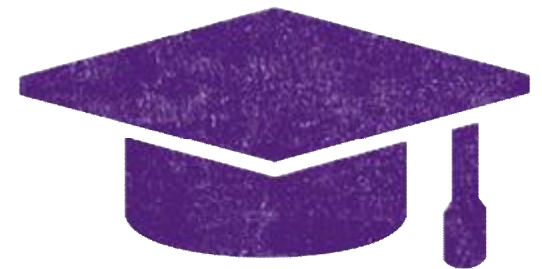
Summary	Potential impact
<ul style="list-style-type: none"> • GASB is revisiting its reporting model established in GASB 34 and 35, as well as other GASB standards, following the FASB project to revisit the reporting model of NFP entities. • Although there is general consensus that most of the components of the financial reporting model are effective, the Board determined that there is a need to update guidance related to several categories, focusing on the following: <ul style="list-style-type: none"> - MD&A - Government-wide financial statements - Major funds - Governmental fund financial statements - Proprietary fund and business-type activity financial statements - Fiduciary fund financial statements - Budgetary comparisons • Other options to permit more timely and less complex financial reporting will be explored in conjunction with other topics • The Board is redeliberating based on feedback from invitation to comment and public meetings. Tentative timing for issuance of final guidance is projected to occur in 2021. 	<p>Similar to the significant impact on reporting and disclosures when GASB 34 and 35 were issued, this proposed guidance could have sweeping effects on the reporting and disclosures by public colleges and universities. Depending on how much the GASB looks to what is being done by the FASB on the NFP reporting model, there could be an increase in comparability between the two types of entities that currently use very different reporting models.</p> <p>Three of the business type activities issues that the GASB is considering that are particularly relevant to public universities are guidance on the operating indicator, MD&A and extraordinary and special items.</p>

Industry Updates



Key Themes in 2017

- Good news:
 - Colleges and universities are holding steady, with flat or modest revenue increases accompanied by warning signs
 - More and more experiments with "business model" are occurring
- Not so good news:
 - Revenue is highly constrained with limited prospects of improvement
 - Price sensitivity (restraint on net price increases) continues
 - Demographics worrisome in East and Midwest
 - No help from Washington



Washington Update: General



1

Six year gridlock has ended: Republicans in control of both White House & Congress; but Republicans don't always agree (see ACA failure), and Courts remain a wild card

2

Implementation likely to be slow and/or uneven: Administration has been slow getting started; its capacity to implement is uncertain; and big issues (other than higher education) are taking priority

3

Much remains uncertain and unspoken. Higher education is seldom mentioned.

4

Hard to find anything that will help the industry. No likelihood of support for increased funding or for policy changes that would be helpful to colleges and universities.

Washington Update: Collateral to Higher Ed



1

Immigration, including DACA: Negative impact on trend toward globalization: insecurity of existing students & faculty, less international students & faculty; stifled programs abroad

2

Deregulation Ethos: End of high level of regulation on for-profit higher education; less oversight of civil rights and Title IX; support for student loans from private banks

3

Budget Priorities. Desire for balanced budget and for increased spending on military & infrastructure means less for student aid, research funding, and oversight

4

Investment Climate/Tax Code Changes. Investment returns very positive right now; strong market plus tax code changes could improve fund raising

Washington Update: Specific to Higher Ed



1

"Free tuition": Being proposed by governors and adopted in in some states; potential negative impact on private colleges in those states

2

Private loans v. direct lending: Likely reversal of Obama rule allowing only direct loans (by and from Federal government), re-introducing bank private loans into marketplace

3

Much remains uncertain and unspoken. Higher education is seldom mentioned. Policy positions in Department of Education remain mostly unfilled.

4

Civil rights. Enforcement of Title IV (sexual assault) is being stalled. Republican platform specifically excluded LGBT\Q rights from Title IX enforcement. Obama trans "bathroom" regulations already eliminated.

Moody's



"Stable with Clouds
Forming on the
Horizon"

- Revenue growth
- Modest net tuition growth
- Incremental increases in state appropriations
- Stable research funding*

Clouds on the horizon

- Softening revenues
- Increasing labor costs
- Potential slowing of endowment & gift revenue
- Uncertainty around Federal policies and funding*

Second year in
a row of
"stable"
rather than
"negative"

*issued just after Nov. 2016 election



Moody's



"Stable with Clouds
Forming on the
Horizon"

- Almost one third of small colleges generated operating deficits in FY2016, up from 20% three years ago.
- Net tuition declined at nearly a third of private colleges.
- Proportion of large universities generating deficits declined to 13%, compared to 20% three years ago.



Standard & Poor's 2017 Sector Outlook

S&P Global
Ratings

Opportunities

- More schools have shown a willingness to make difficult decisions to refine their operations through focused, rather than general, expansion strategies
- Problems of-profit sector could lead to enrollment & program opportunities for nonprofits
- Aging workforce and upcoming retirements could lead to lower tenure rates and salary expenses

Risks

- Limited revenue raising flexibility at smaller schools and price resistance for all schools
- Flat or reduced public expenditure for higher education but more government control
- Lower endowment returns

"Significant headwinds"

"Confident my institution will be financially stable"

Over five years.....

63%

All institutions "agree" or "strongly agree"

63%

Public universities "agree" or "strongly agree"

62%

Nonprofit private colleges "agree" or "strongly agree"

Over ten years.....

52%

All institutions "agree" or "strongly agree"

49%

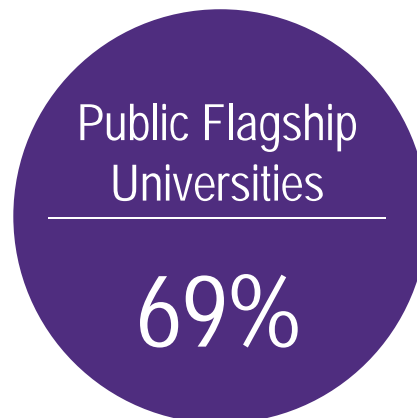
Public universities "agree" or "strongly agree"

54%

Nonprofit private colleges "agree" or "strongly agree"



"Confident my institution will be financially sustainable over ten years"



Private tuition dependent colleges see themselves as most at risk!

What do business officers say?



- **Only 54% are confident** in their institution's financial stability over the next ten years (*Inside Higher Ed survey in 2016*)
- One in four complained about **“resistance to change”** on their campuses (*NACUBO survey in 2016*)

Price resistance

- **Price resistance is growing.**
- 18.6% of students who were admitted to their top choice of college or university in 2016, but decided not to go there, turned it down because of the cost of attendance
- 39.9% who turned down their college of first choice did so for a reason related to cost, such as financial aid received from another college, non-need based scholarships, or "a college's value"
- Results not much different between SAT score levels or minority status

Reason for Not Attending College of First Choice	Percentage of Students Citing
Cost of attendance	18.6%
Campus environment	9.4%
Location of the school	9.3%
The financial aid I received	9.1%
Academic reputation	8.1%
Proximity to home	7.6%
Offered the major I wanted	6.6%
The merit-based scholarship I received	6.3%
Best value	5.9%
Reputation in my intended field of study	4.9%
The size of the school/number of students	3.8%
Athletic programs	3.3%
Overall Reputation	3.0%
Legacy/family member attended the school	1.8%
Amount of contact after admission	1.1%
Timing of my financial aid award	1.0%
Amount of contact before application	0.4%

Price resistance

- **Price resistance is growing.**
- Last year 69% of parents/prospective students eliminated some colleges from their selections because of cost, a number that jumped from 58% ten years ago.

Figure 5

Elimination of Colleges from Selection Set Due to Cost, over Time



Net tuition revenue pressures



- Chronicle of Higher Education survey:
- Four in ten private colleges and almost three in ten public ones **missed their goals for enrollment and net tuition revenue in 2016**, a track record similar to the prior three years.
- College Board:
 - **Net tuition revenue has been essentially flat** in the two years most recently available, for private baccalaureate and master's level colleges
- Moody's
 - **"Low gains in tuition revenue are the 'new normal' for colleges"** and
 - "Institutions that lack a distinct brand or strong value proposition are bearing the brunt of an increasingly value-oriented consumer"

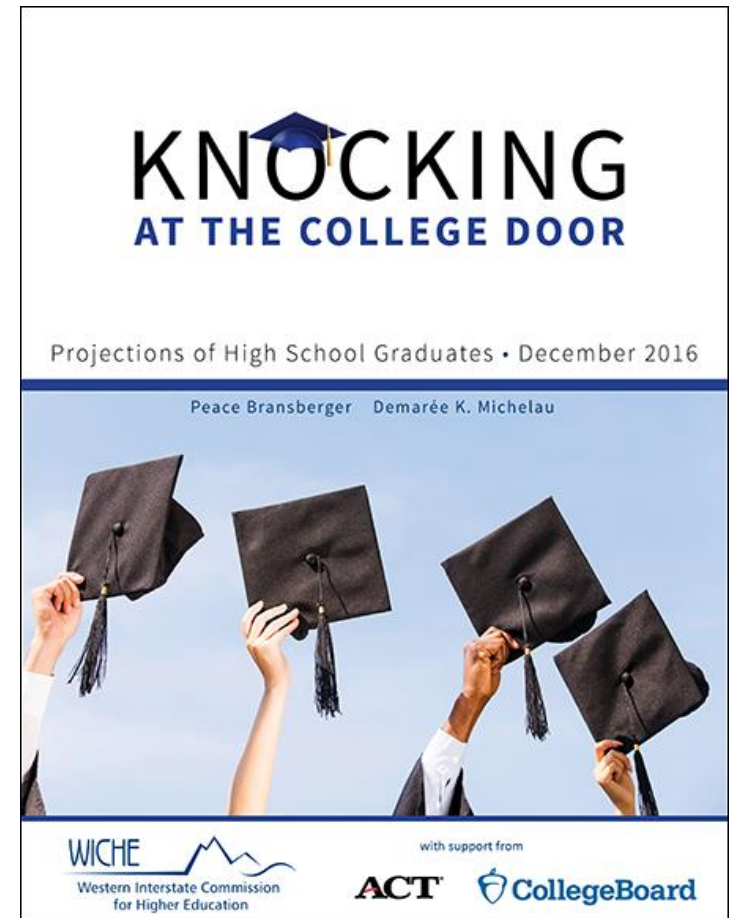
Net tuition revenue pressures (part two)



- NACUBO Tuition Discounting Study:
- Net revenue growth projected at just over 1% for freshman, a decrease from prior year, and 37.5% of institutions had enrollment declines among both first-year classes and their entire student bodies from 2014-15 to 2015-16.
- More than half of institutions, 51.2%, reported a decrease in total undergraduate enrollment, and 53.5% said freshman enrollment dropped.

Demographics

- Number of high school graduates
 - Plateau nationally
 - Ongoing declines in east and Midwest
- Ethnicity of higher school graduates
 - Decline of non-Hispanic whites
 - Growth of Hispanics

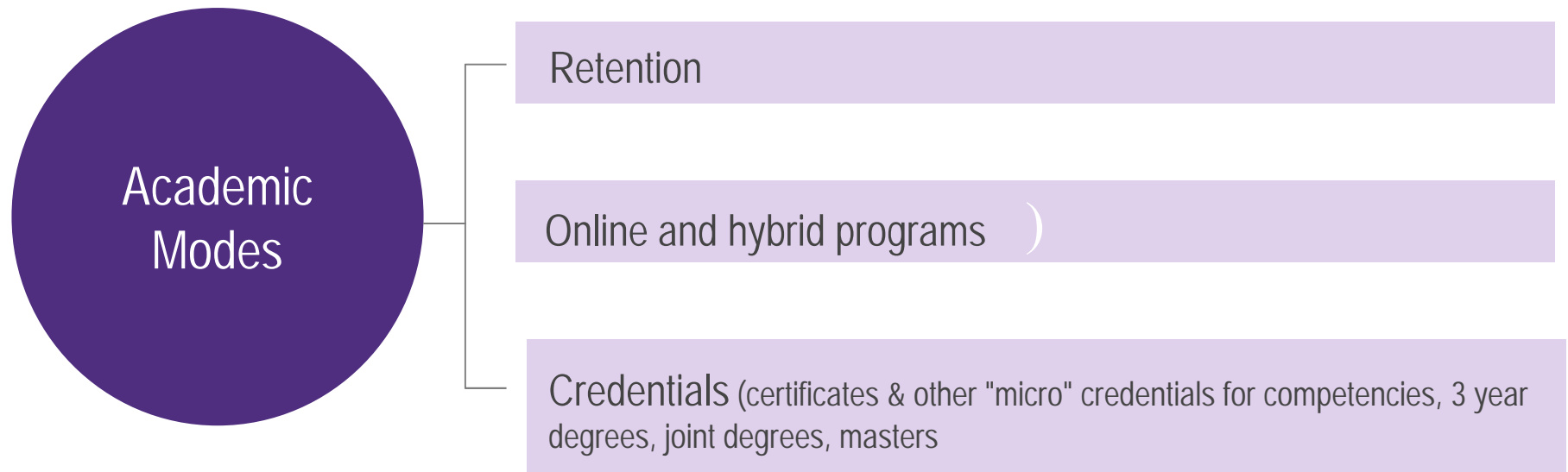


- WICHE 9th Ed., issued Dec. 2016

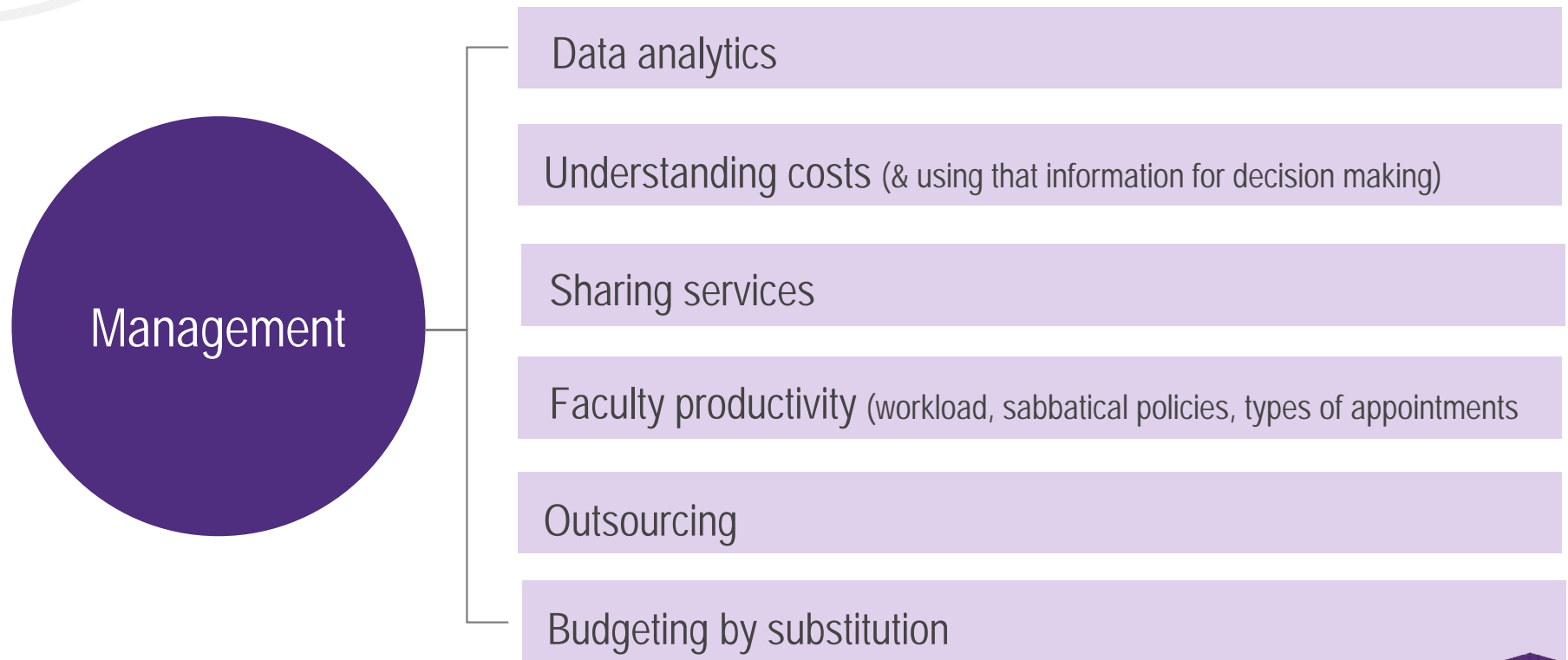
What are colleges doing to generate financial return?



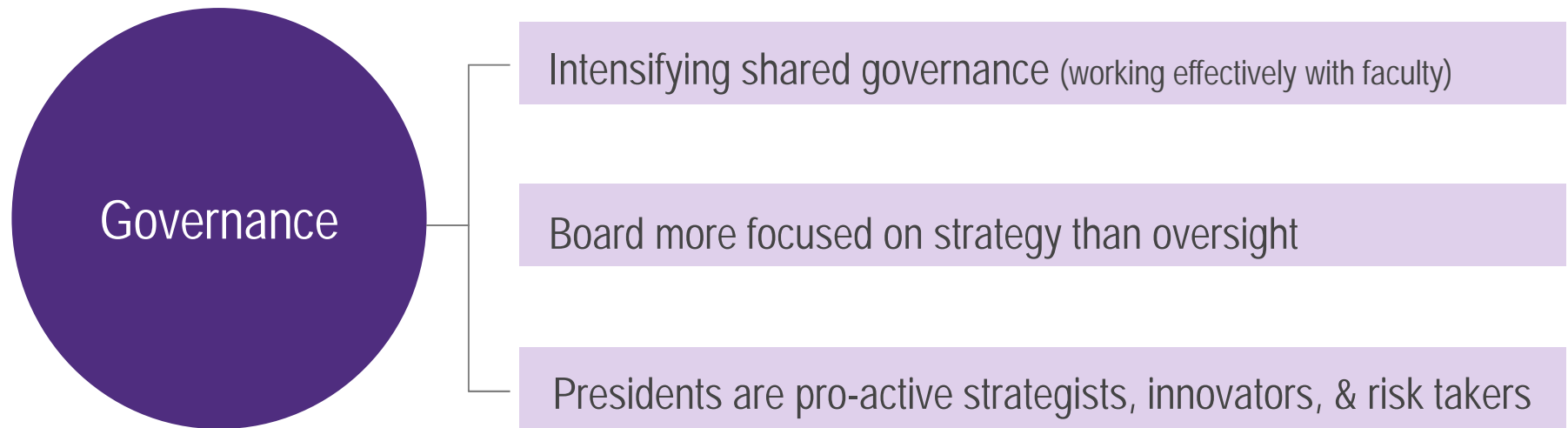
What are colleges doing to generate financial return?



What are colleges doing to generate financial return?



What are colleges doing to generate financial return?



What some universities are doing but should not

- Overspending from endowment
- "Borrowing" from endowment / restricted funds
- Using debt, in excess, for liquidity purposes
- Running deficits without a plan
- Overbuilding
- Selling physical assets without a plan
- Deferring maintenance

"A college's greatest enemies are **complacency and nostalgia**"

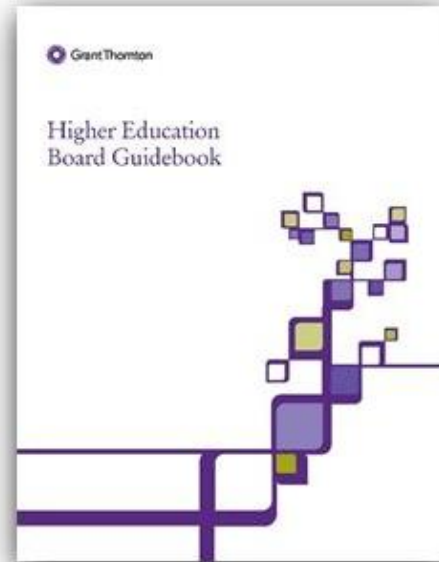
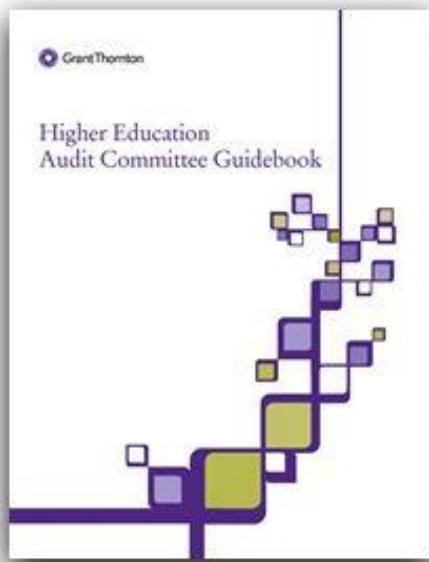
Changes to consider going forward



- Making the case for value of higher education
- Developing capacity for change
- Delivering education in different styles and formats (including cheaper)
- Finding paths to success for new student populations
- Adjusting to lower net student revenue and modest growth in government support
- Holding all stakeholders committed to common purpose

Additional Resources

www.grantthornton.com/industries/NFP



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Board and Executive Institute

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ATTACHMENT D

Internal Audit Plan 2016-2018 Update

COMMUNITY COLLEGE OF PHILADELPHIA

Date: September 28, 2017
To: Audit Committee Members
From: Robert Lucas, Internal Auditor
Subject: Internal Audit – Plan Status and Other Information
Copies: Donald Generals, Judith Gay, Jacob Eapen, Victoria Zellers

Since the last Audit Committee meeting, the following audit work has been performed:

- Internal audit reports finalized since the last meeting:
 - New Employee Process

- Draft internal audit reports in the closing process include:
 - DACE CBO Remote Sites (working with management on revised responses)

- Audits in progress to be completed shortly:
 - Disaster Recovery Plan

- Completed a full update of the Internal Audit Follow Up Matrix (provided at this meeting).

- Issued a memo to management of related internal control and procedural concerns and recommendations related to financial investigation based on ethics complaint via email.

* * * * *

Community College of Philadelphia Internal Audit Follow Up Matrix

Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
14	10/25/2013 Purchasing Cards Gim Lim / Victoria Zellers	A new expense or travel and entertainment policy is recommended. The purchasing card policy should also be reviewed and updated as necessary and referenced to the new expense policy.	6/30/14 8/31/14 8/31/16	A new travel and entertainment policy will be developed and presented to the Cabinet for their review and input by 6/30/14. A new travel policy has been developed, reviewed by the Cabinet, and is currently being reviewed by members of the Board of Trustees. Target date for implementation is June 30, 2016. New Travel Authorization and Reimbursement Policy was approved and posted 5/6/16.
14A	10/25/2013 Purchasing Cards Gim Lim / Victoria Zellers	A gift card policy is recommended.	8/31/17 11/15/17	A gift card policy has been drafted and a final version is expected to be reviewed by management and implemented by the fall semester. Legal Counsel is reviewing the draft policy and will discuss her recommendations with the Cabinet by June 30, 2017. Policy is scheduled for review by the Cabinet in October with implementation expected by 11/15/17.
22	10/25/2013 Title IX Samuel Hirsch	Internal Audit recommends departmental procedures be documented to help ensure compliance with Title IX as well as the continuity of such procedures.	6/30/14 9/30/17 10/31/17	Procedures related to processes for sexual harassment and for equity in the sports program will be documented by 6/30/14. Title IX language will be included in the Athletics section of the Student Handbook as well as in the Athletics Handbook. Procedures have been documented. The Student Handbook has been updated with language approved by General Counsel. Revised Athletic Handbook will be printed in July 2017 for distribution to athletes beginning with the fall 2017 semester. Handbook has been ordered as of 9/27/17 and delivery expected soon with distribution to student athletes as soon as received.
25	2/14/2014 SDW Contract Jim Spiewak	Internal Audit recommends that the purchasing policies be updated to provide, at a minimum, guidance for contracts when an RFP is not issued (and when the absence of the RFP process is appropriate), the availability of RFP templates for use, guidance or reference, and the need for review and approval of all contracts by the College's General Counsel.	5/31/14 8/31/14 12/31/15 6/30/17	The Purchasing Department will update the policies related to purchasing and contracts by May 31, 2014 to provide better guidance to department managers. Such guidance will be enhanced to include the circumstances under which an RFP need not be issued as long as all other guidelines are followed. The requirement for review of all contracts by General Counsel will also be included in these updates. The AVP of Budgets & Business Services is working with General Counsel to include this requirement in a planned revision of a related policy. Internal policy / procedure has been updated to include the requirement of all contracts to be reviewed by General Counsel. New approval checklist was also developed and includes required signature of General Counsel.

Community College of Philadelphia

Internal Audit Follow Up Matrix

Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
26	2/14/2014 SDW Contract Jim Spiewak	Internal Audit recommends that the Purchasing Department ensure that all contracts required by policy to be approved by the Board, including those for professional services, are presented to the Board for such approval prior to the execution of such contracts. In addition, the policy does not specify whether contract extensions or renewals are required to be approved by the Board.	2/14/14 8/31/14 6/30/17	Effective immediately, the AVP for Budgets & Financial Services, in conjunction with Purchasing Department, will ensure all contracts required by policy to be approved by the Board are presented for such approval. In addition, the Board will be solicited for their preference of approving renewed contracts which fall in the same financial parameters and the related policies will be updated as necessary. Management is proposing an increase in the contract amount which requires Board approval. The related policy will be finalized as soon as Board input and approval of the new amount is obtained. Revised policy was approved by the Business Affairs Committee and then by the full Board on 9/8/17.
45	12/8/2015 ADA / Center on Disability Joan Bush	Internal Audit recommends that the Center on Disability follow the advice expected shortly from the Data Breach Committee in regard to personal identifiable information, especially SSNs, obtained in the processes for adjudicating student requests for accommodations.	2/29/16 6/30/17 (Update of Progress) 12/22/17 (Status Update)	A database designed to manage data on students with disabilities will be reviewed with IT for implementation. No SSN's numbers will be included in the database. Target date for completion is February 29, 2016. In its 2016-2017 budget, COD management has requested a stand-alone database to manage the online information related to accommodations requested by students. Target date is TBD.
49	4/21/2016 Library Hold Releases Joan Bush	ITS should have full administrative rights to the Millenium program. Senior management should determine whether such rights are shared with library managers.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Library management is currently retaining administrative rights to Millenium but is consulting with ITS to help ensure appropriate access for library staff. Administrative rights are expected to be transferred to ITS when a new (requested) library system is obtained. RFP for new ILS was posted December 15, 2016. Target date for implementation date is no late than July 1, 2017. ITS administrative role is to be determined before that date. Target date new ILS implementation is now 12/22/17. ITS administrative role will determined before that date.
50	4/21/2016 Library Hold Releases Joan Bush	If library staff retain the ability to release holds for fines and lost books, conciliations of cash collected to released holds must be performed periodically and reviewed by management. Any differences must be investigated and resolved.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Management has convened a team to review the current processes and controls. Potential changes include transferring certain controls to the Bursar's group which will eliminate the need for reconciliations between Millenium records (fines released) and Banner records (cash collected). An RFP process has begun to acquire a new ILS system and expected to be implemented by 7/1/17 which have interfaces to update Banner records on a timely basis. Fines are expected to be eliminated under new library policies any necessary payments will be directed to the Bursar. Target date new ILS implementation is now 12/22/17.

Community College of Philadelphia Internal Audit Follow Up Matrix

Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
53 4/21/2016	Library Hold Releases Joan Bush	There is limited information transferred from Millenium to Banner. Library management should determine if exact amount of fines can be transferred which will support reconciliations between the systems.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Management has convened a team to review the current processes and controls. Potential changes include transferring certain controls to the Bursar's group which will eliminate the need for reconciliations between Millenium records (fines released) and Banner records (cash collected). An RFP process has begun to acquire a new ILS system and expected to be implemented by 7/1/17 which have interfaces to update Banner records on a timely basis. Fines are expected to be eliminated under new library policies any necessary payments will be directed to the Bursar. Target date new ILS implementation is now 12/22/17.
54 4/21/2016	Library Hold Releases Joan Bush	Management should review the dollar amounts of fines and maximums per book to ensure the amounts correlate to the values of borrowed books.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Management has convened a team to review the current fines and lost book charges and propose changes as appropriate to help streamline this process. Library staff and faculty are developing a proposal for a new borrowing policy by January 13, 2017. Proposal will require senior management approval. Target date new ILS implementation is now 12/22/17.
55 4/21/2016	Library Hold Releases Joan Bush	ESS management should review system access periodically to ensure access rights are appropriate for the various positions in the library.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Millenium system access has been modified with only a few senior staff having the ability to change any records. All other staff have read-only access. A new (requested) ILS system will support efficient periodic review of staff access to the system with profiles designed with ITS assistance. An RFP process has begun to acquire a new ILS system and expected to be implemented by 7/1/17. Access rights for the new system will be determined by Library management and reviewed by ESS management. Target date new ILS implementation is now 12/22/17.
56 4/21/2016	Library Hold Releases Joan Bush	There are too many library staff with system access which include functions which could negatively impact the entire system and its database of records.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Millenium system access has been modified with only a few senior staff having the ability to change any records. All other staff have read-only access. A new (requested) ILS system will support efficient periodic review of staff access to the system with profiles designed with ITS assistance. An RFP process has begun to acquire a new ILS system and expected to be implemented by 7/1/17. Access rights for the new system will be determined by Library management and reviewed by ESS management. Target date new ILS implementation is now 12/22/17.

Community College of Philadelphia Internal Audit Follow Up Matrix

Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
57	4/21/2016 Library Hold Releases Joan Bush	There are too many library staff with system access which includes the ability to modify accumulated fines.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Millenium system access has been modified with only a few senior staff having the ability to change any records. All other staff have read-only access. Management is developing appeal procedures which will govern when fines will be modified, who will approve such changes and how they will be documented. An RFP process has begun to acquire a new ILS system and expected to be implemented by 7/1/17 which have interfaces to update Banner records on a timely basis. Fines are expected to be eliminated under new library policies any necessary payments will be directed to the Bursar. Target date new ILS implementation is now 12/22/17.
58	4/21/2016 Library Hold Releases Joan Bush	The process for backing up information for library fines is antiquated and subject to loss of the records.	12/31/16 7/1/17 (Update of Progress) 12/22/17	Backup tapes of Millennium Tapes are being given to the ITS department every two weeks. Once a month, ITS will store the backups at Iron Mountain. Any new ILS system will provide digital backup records to address this issue. An RFP process has begun to acquire a new ILS system and expected to be implemented by 7/1/17 which will have programable, digital backup features. Target date new ILS implementation is now 12/22/17.
59	5/25/2016 ITS Physical Security Gary Bixby	ITS and Facilities management should take appropriate steps and plans to reduce the risks associated with connectivity rooms left wide open.	6/30/17 6/30/18	ITS management noted that a plan to move the connectivity hardware to a separate room. ITS management states that the project has again been included and approved in the capital budget for the 2016-2017 fiscal year although they do not know when construction will begin. The project has been re-scheduled for the Spring/Summer of 2018.
60	5/25/2016 ITS Physical Security Jody Bauer Randy Merced	The doors to the rooms which house connectivity equipment should have electronic locks to limit access and record who enters the rooms.	12/31/16 6/30/17 (Update of Progress) 12/31/17 (Update of Progress)	ITS and the Safety and Security Departments are currently engaged in a long term project to reprogram electronic door locks so that they will work with the current CBord system. As of August 2016, second and third floor door locks in CBI have been migrated to CBord and licensing is in place on server. Awaiting direction from Safety and Security for plans for other door locks. Update from management as of 12/21/2016: All CBI doors have been converted to CBord. Door repairs for some double door issues are pending.

Community College of Philadelphia Internal Audit Follow Up Matrix

Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
61	5/25/2016 ITS Physical Security Randy Merced	In order to strengthen the controls over physical security across the College's campuses, management should consider additional video cameras at locations which will help security monitor rooms housing connectivity equipment as a preventative control. Management should also consider an additional camera outside the Mint tunnel entrance based on the room's use for both connectivity and as a staging area for new equipment.	12/31/16 6/30/17 (Update of Progress) 12/31/17	Management has just (May 2016) selected a consultant who will be reviewing the current video camera and recording systems across all College locations. Wiring for an additional camera outside the Mint tunnel entrance has been installed although a camera has not yet been installed. Camera inside MG-6 is now functional and an additional camera has been installed in the tunnel outside of the same room. Camera consultant review is in progress. Management is focusing on enhanced Cbord training for designated employees, as recommended by the consultant, before moving forward with the RFP process related to video camera recommendations. A contract for an upgrade to the CCTV security camera system, including additional cameras, is in place with work expected to be completed by 12/31/17.
63	5/25/2016 ITS Physical Security Gary Bixby	Management should consider installing additional gaseous systems in rooms which have significant risk of business and classroom interruption based on the type of equipment in the connectivity rooms.	6/30/17 (Update of Progress) 4/30/18	Management has decided to upgrade the fire suppression systems from sprinklers to gaseous systems in three rooms deemed critical due to the nature and value of electronic equipment in those rooms. Specifically, upgrades in rooms B2-39, MG-6A and W1-E1 have been included in the budget for the 2016-2017 fiscal year and, as such, should be completed by June 30, 2017. Update as of 12/21/2016: Phase One: The 3 CRITICAL Closets (MG-6A, B2-39, W1-E1) are pending the release of the RFP for installation of the FM200 fire suppression systems. Phase 2: Time and funding permitting the regional center IDFs will be addressed later for gaseous fire suppression. The scope of work for this project has been completed. RFP is expected to be posted by 10/4/17 with work to be completed by 4/30/18.
64	5/3/2016 Remote Sites of DACE CBO Program David Thomas	Internal Audit recommends that that DACE management develop a process to provide a substitute supervisor when such absences occur or are requested.	9/1/16 4/30/17 10/31/17	The College and the CBOs have an understanding that the CBO administrator will ensure that the DACE students remain in designated areas, that the course ends on time and that DACE students leave the site in accordance to standard procedures. Management will document this and formally communicate this with the CBOs again before the fall semester. In the rare event that site supervisors may have to leave early and the CBO's designated administrator is unable to fulfill these duties, the class(es) will be dismissed. Internal Audit will follow up on these plans during the spring 2017 audit of this subject. A revised management response in the 2017 CBO Visits audit report will address the status of this action.

Community College of Philadelphia

Internal Audit Follow Up Matrix

Report Date	Area/ Responsible Party	Recommendation	Target Date	Management Response / Follow up
66	5/3/2016 Remote Sites of DACE CBO Program Randy Merced	Internal Audit recommends that Safety and Security management determine that the site supervisors are aware of the emergency procedures for their respective facility. The emergency procedures for each facility should be documented and provided to the site supervisors each semester based on the assignment of site supervisors.	9/1/16 10/31/17	Management will contact the Dean of the DACE group to coordinate our assessments of the plans at each CBO location. To ensure the College's site supervisors understand the plans at each site and communicate them to the instructors and students, we expect to visit to these sites at the beginning of each semester beginning with Fall 2016. Safety and Security management met with directors at both sites in fall 2016 and observed briefing of students at one location in fall 2016. Emergency plan briefings to the CBO classes will be confirmed or provided by Safety and Security management at the beginning of each semester beginning fall 2017. Security & Safety management have requested that each division provide their remote site staff with safety instructions including references to new CCP online resources. This request will be discussed with affected division VPs and final position will be included in 2017 CBO Visits audit report.
67	6/8/2017 Royalty Payments from Publishers Sam Hirsch	Internal Audit recommends that the Academic and Student Success Division document their understanding of how the remaining funds will be utilized.	07/31/17	The Vice President of Academic and Student Success will develop a plan for the use of the existing funds which have accumulated from these royalty payments. The plan will be sent to Institutional Advancement and to the Dean of Math, Science and Health Careers by July 31, 2017 to ensure that all parties are aware of the approved plan.
68	6/8/2017 Royalty Payments from Publishers Greg Murphy	Internal Audit recommends that Institutional Advancement document to the academic departments and to the Finance team that they should ensure staff do not deposit any checks received from publishers which are not permitted by law to be accepted by the College.	07/15/17	The Vice President of Institutional Advancement will issue a memo by July 15, 2017 to the Finance team, the Division of Academic and Student Success, and its own staff that, effective immediately, Institutional Advancement's Foundation staff should be informed of any checks received from publishers prior to any deposits being made. Memo was issued to all appropriate parties on August 29, 2017.
69	8/30/2017 New Employee Process Ellen Fernberger	Internal Audit recommends that procedures and checklists for new employee processes address each class and the major procedures to be performed to help ensure consistency and completeness.	12/22/17	Checklists for all employee types will be developed by the end of the fall semester. A process and procedure will be implemented by the end of the fall semester to assign responsible parties to confirm that all necessary documentation is obtained, and to ensure that we are consistently following up when necessary to obtain all necessary documents.
70	8/30/2017 New Employee Process Ellen Fernberger	Internal Audit understands HR has issued, or will be issuing, a directive that all new employees must be processed through the HR department. HR also reserves the right to hold hard copies of paychecks for pick up by employees who have not completed all required documentation.	12/22/17	A meeting was held with all departments on Thursday, August 10, 2017, to review the new hire process, appropriate, up to date forms, and particularly the new federal I-9 requirements. An HR representative will be assigned, depending on the employee classification, to ensure that all forms are completed correctly and that the most current forms are used.
71	8/30/2017 New Employee Process Ellen Fernberger	Internal Audit recommends that the use of additional checklists, documented procedures a guidance for new HR staff, and insistence that all new employees be processed in HR will all contribute to less issue related to this documentation.	12/22/17	Checklists for all employee types will be developed by the end of the fall semester. A process and procedure will be implemented by the end of the fall semester to assign responsible parties to confirm that all necessary documentation is obtained, and to ensure that we are consistently following up when necessary to obtain all necessary documents.
72	8/30/2017 New Employee Process Ellen Fernberger	Internal Audit determined that the Athletics Department had "appointed" certain employees in the past. This was brought to the attention of HR as soon as noted during the audit. HR management stated that they have ended this appointment process in Athletics and that all new head and assistant coaches are required to complete all necessary documentation in HR.	06/30/17	All new hires in the Athletics Department must now come to HR to complete all necessary paperwork. HR has advised management in the Athletics Department concerning this issue, and will copy the Dean of Students and Vice President of Academic & Student Success on all future communications to ensure compliance. If there is a missing legally required document, such as the form I-9, in accordance with federal law no paycheck will be issued.

Community College of Philadelphia Internal Audit Follow Up Matrix

<i>Report Date</i>	<i>Area/ Responsible Party</i>	<i>Recommendation</i>	<i>Target Date</i>	<i>Management Response / Follow up</i>
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Action plans are complete and will be moved to the Completed Items tab

Community College of Philadelphia
Internal Audit Plan - July 1, 2016 to June 30, 2018

Functional Area	Risk Rating	Risk Explanation / Reason for Audit	Fiscal Year	Stage
Financial Audits				
Colonial One Card	L	Determine controls over prepaid card program	2017	
Check Requests - Vendors	L	Verify controls for payments to vendors	2018	
Check Requests - Employees	L	Verify controls for reimbursements to employees	2018	
Purchasing Cards	M	Determine compliance with purchasing card policies	2018	
403(b) Transactions *	L	Determine controls over payments to retirement savings vendors	2018	
Investigation 4/17 - Related Controls	N/A			7
Operational Audits				
Royalty Payments from Publishers	N/A	Determine controls and procedures related to textbook selection process and funds received from publishers	2017	7
403(b) Administration *	L	Determine controls over employee requests related to retirement savings	2018	
Part-Time Faculty Medical Benefits	L	Determine controls and accuracy of only benefit funded entirely by staff	2017	
Business Continuity Plan	M	Determine management's level of preparation for business interruption	2017	1
Pell Grants - Appeal Process for Academic Progress	M	Determine compliance with requirements	2017	2
Veterans' Resource Center	M	Compliance with Veterans' Education Benefits Laws	2018	
Off Campus Programs - DACE, Workforce Development	M	Ensure risks are controlled / minimized in remote locations	2017 2018	6
Compliance				
50th Anniversary Scholarship Program	M	Determine compliance with requirements	2017	
Family Educational Rights and Privacy Act	M	Compliance with FERPA regulations	2017	2

Community College of Philadelphia
Internal Audit Plan - July 1, 2016 to June 30, 2018

Functional Area	Risk Rating	Risk Explanation / Reason for Audit	Fiscal Year	Stage
State Recruiting Regulations	M	Determine compliance with regulations / restrictions	2017	
Family Medical Leave Act	L	Determine compliance with policies, procedures and regulations	2018	
Residency Verification	L	Compliance with procedures and controls to pay tuition based on residency	2018	
Forgivable Loans	L	Compliance with procedures and controls for such loans	2018	
Clery Act	M	Compliance with law and required disclosures	2017	1
IT Audits				
Disaster Recovery Plan	M	Determine adequacy of readiness and periodic testing	2017	4
Non-ITS Administered Software Programs	M	Determine adequacy of administration controls	2017	1
Network Security	L	Determine adequacy of controls for systems access	2018	
Administrative				
Investigation 4/17	N/A			Complete
Follow Up on Prior Issues			Ongoing	
Committee Meetings (Grants, Data Breach, EMT, external audits/reviews)			Ongoing	

Stage:

- Risk Assessment / Planning 1
- Announcement / Contact 2
- Opening Meeting Held 3
- Fieldwork 4
- Draft Report Issued 5
- Closing Meeting Held 6
- Final Report Issued 7